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SUBJECT: AFGHAN REGULATORS USE TELECOMMUNICATIONS DEVELOPMENT FUND  
FOR RURAL SERVICE EXPANSION

REF: A) 09 Kabul 2020  
B) 09 Kabul 2920

¶1. (SBU) Summary: Following a three-year start-up, the Afghan Telecommunications Regulatory Authority (ATRA) has begun to use its \$30 million Telecommunications Development Fund (TDF) to expand telephone and Internet service to rural areas and to educate Afghan telecommunications professionals. Since the TDF was created through mandatory contributions from service providers, these companies are now pushing the Afghan Government to use the fund for risk insurance against insurgent attacks on cellular towers. The ATRA supports the idea of having a system to provide risk insurance and has requested USG assistance in creating the framework. Embassy Kabul will use the September 26-29 visit by OPIC senior officials to explore possible USG assistance. End summary.

The TDF: Finally In Use  
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¶2. (SBU) Created in 2006 with the help of the U.S. Trade Development Agency, the TDF was intended to support telephone and Internet services in Afghanistan's remote areas. All operators contribute 2.5 percent of annual revenues to the fund. As of September 12, the fund contains roughly USD 30 million, ATRA Chairman Zakaria Hassan told econoff. (Comment: Government officials have reported the fund's capitalization consistently at this level for a year, despite regular telecoms payments. End comment.)

¶3. (SBU) Chairman Hassan said the fund was first used in August to build phone and Internet infrastructure in the provinces of Badakshan, Nuristan, and Uruzgan. Afghan Wireless Communications Company (AWCC) won the \$2.5 million tender, which attracted few bids due to the project's remote locations. On September 1, ATRA announced a second tender for additional locations in the same provinces. Hassan also plans to use TDF funds to construct a telecenter containing landline phones and computers for public use. Altogether, he expects to spend approximately \$10 million of the fund's capital on these three projects this year.

¶4. (SBU) Hassan said ATRA directs TDF project funds to districts with no phone service and no planned service expansion by telecom companies. Winning bidders must demonstrate the ability to provide the greatest increase in service for the least subsidy and are required to continue service as long as they operate in Afghanistan. Subsidized providers cannot charge higher rates to rural customers. ATRA's Universal Access Department manages the fund and the ATRA board and the Ministry of Communications and Information Technology (MCIT) must approve all projects.

ATRA Needs Technical Support for Risk Insurance  
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¶5. (SBU) Afghan operators have asked ATRA to use TDF funds to set up a risk insurance fund to replace towers damaged or destroyed by

insurgents (Ref A). The ATRA is supportive of the idea and is willing to help fund such a scheme, but some issues need to be resolved. For example, smaller operators who focus on the north and west of the country do not want to subsidize the losses of larger companies (mainly Roshan and AWCC) in the risky south. Under the currently proposed plan every company would pay the same premium, which Hassan believes is unfair. He added strong procedures need to be in place to prevent fraudulent use of the fund and suggested a committee comprised of telecom representatives approve each payment for a destroyed tower.

¶6. (SBU) The Overseas Private Investment Corporation (OPIC) has offered to help ATRA set up risk insurance and establish operating procedures. Hassan requested an OPIC employee come to Kabul on a short-term basis to help address operating issues. (Note: Embassy has forwarded this request to OPIC's vice president. End note.) An OPIC team is visiting Afghanistan September 26 - October 3, and we will try to use that visit to explore the Afghan request.

#### TDF-Funded Training Programs Under Discussion

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¶7. (SBU) The MCIT, which oversees ATRA, also approached USAID for assistance in identifying a partner for the Information and Communication Technology Institute (ICTI), the State-run university for technology professionals. Ministry officials seek to develop a long-term relationship with a U.S. institution to enable student exchanges and ensure ICTI degrees are recognized in the United States. They plan to devote TDF funds to this purpose, and to improve ICTI's facilities and faculty. USAID is investigating possible partners to prepare a response.

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